



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
ENGAGEMENT TO AUDIT THE  
PERRY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Honorable Sherman Neace, Former Perry County Judge/Executive

Members of the Perry County Fiscal Court

### Independent Auditor's Report

We were engaged to audit the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Perry County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Perry County Fiscal Court.

While fieldwork on this audit was being conducted, the former County Judge/Executive was indicted in the United States District Court, Eastern District of Kentucky, on five counts of mail fraud and five counts of money laundering. Subsequently, he was convicted of one count of mail fraud, and received 15 months of imprisonment.

Because the above charges grew out of his position as County Judge/Executive, and due to his key role in the Fiscal Court's control environment, accounting operations, and financial reporting functions, we are unable to rely on representations made by him. The Fiscal Court also has serious weaknesses in the design and operation of its system of internal controls which may affect the completeness and the accuracy of the financial statements.

Additionally, we were unable to obtain written representation from members of management as required by generally accepted auditing standards. Because of the possible effect on the financial statements of the matters described above, we were unable to express, and we do not express, an opinion on the financial statements.

Perry County, Kentucky is required to prepare its financial statements on a prescribed basis of accounting that demonstrated compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets would be recognized when received rather than when earned, and certain expenses would be recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

We have also issued a separate report dated January 31, 2000, on our consideration of Perry County, Kentucky's compliance with certain provisions of laws, regulations, contracts and grants, and internal control over financial reporting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Honorable Sherman Neace, Former Perry County Judge/Executive

Members of the Perry County Fiscal Court

This report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

January 31, 2000

PERRY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

|                     |                                  |
|---------------------|----------------------------------|
| Sherman Neace       | County Judge/Executive           |
| John Mark Barger    | County Attorney                  |
| Clarence Howard     | County Clerk                     |
| Chester Jones       | Circuit Court Clerk              |
| John Leslie Burgett | Sheriff                          |
| McClee Feltner      | Jailer                           |
| John Frank Gross    | Property Valuation Administrator |
| Estill Neace        | County Treasurer                 |
| Jimmy Maggard       | Coroner                          |
| Johnny Blair        | Magistrate                       |
| Freddy Combs        | Magistrate                       |
| Denny Ray Noble     | Magistrate                       |





STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

|      |    |        |
|------|----|--------|
| Cash | \$ | 49,243 |
|------|----|--------|

Road and Bridge Fund:

|      |  |        |
|------|--|--------|
| Cash |  | 90,324 |
|------|--|--------|

Jail Fund:

|      |  |       |
|------|--|-------|
| Cash |  | 2,451 |
|------|--|-------|

Jail Commissary Fund:

|      |  |     |
|------|--|-----|
| Cash |  | 401 |
|------|--|-----|

Local Government Economic Assistance Fund:

|      |  |        |
|------|--|--------|
| Cash |  | 93,454 |
|------|--|--------|

E-911 Fund:

|      |  |        |
|------|--|--------|
| Cash |  | 26,287 |
|------|--|--------|

Transient Tax Fund:

|      |  |       |
|------|--|-------|
| Cash |  | 8,631 |
|------|--|-------|

Forestry Fund:

|      |  |       |
|------|--|-------|
| Cash |  | 2,641 |
|------|--|-------|

|                                       |  |    |
|---------------------------------------|--|----|
| Due From Transient Tax Fund (Note 5B) |  | 53 |
|---------------------------------------|--|----|

Community Development Block Grant Fund:

|      |  |        |
|------|--|--------|
| Cash |  | 22,810 |
|------|--|--------|

Local Government Economic Development Fund:

|                           |  |         |
|---------------------------|--|---------|
| Note Receivable (Note 4A) |  | 900,000 |
|---------------------------|--|---------|

|                           |  |         |
|---------------------------|--|---------|
| Note Receivable (Note 4B) |  | 900,000 |
|---------------------------|--|---------|

Area Development Fund:

|      |  |   |
|------|--|---|
| Cash |  | 6 |
|------|--|---|

Public Properties Corporation Fund:

|                |  |         |
|----------------|--|---------|
| Cash (Note 10) |  | 588,432 |
|----------------|--|---------|

|                                 |  |        |
|---------------------------------|--|--------|
| Due From General Fund (Note 5A) |  | 27,660 |
|---------------------------------|--|--------|

|                           |  |           |
|---------------------------|--|-----------|
| Note Receivable (Note 4C) |  | 3,739,585 |
|---------------------------|--|-----------|

|                           |  |   |
|---------------------------|--|---|
| Retirement Account - Cash |  | 3 |
|---------------------------|--|---|

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 1998  
 (Continued)

Total Assets and Other Resources (Continued)

Other Resources

General Fund:

Amounts to be Provided in Future Years for Kentucky Association  
 of Counties Capital Lease Obligations :

Lease Principal Payments - Voting Machines (Note 7A) \$ 139,000

Lease Principal Payments - Ambulance (Note 7B) 82,000

Amounts to be Provided in Future Years for Kentucky Area  
 Development District Financing Trust:

Lease Principal Payments (Note 7C) 1,930,000

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 6) 2,155,000

Total Assets and Other Resources

\$ 10,757,981

Liabilities and Fund Balances

Liabilities

General Fund:

Unpaid Obligations (Note 8) \$ 706,855

Note Payable (Note 5C) 57,000

Capital Lease Obligations-Principal Payments

Voting Machine (Note 7A) 139,000

Ambulance (Note 7B) 82,000

Kentucky Area Development District Financing Trust (Note 7C) 1,930,000

Due to Perry County Public Properties Corporation Fund (Note 5A) 27,660

Road Fund:

Unpaid Obligations (Note 8) 10,794

Jail Fund:

Unpaid Obligations (Note 8) 16,402

Local Government Economic Assistance:

Unpaid Obligations (Note 8) 3,235

Transient Tax Fund:

Due to Forestry Fund (Note 5B) 53

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 1998  
 (Continued)

Liabilities (Continued)

Local Economic Development Fund:

|                            |            |
|----------------------------|------------|
| Deferred Revenue (Note 4A) | \$ 900,000 |
| Deferred Revenue (Note 4B) | 900,000    |

Public Properties Corporation Fund:

|                            |           |
|----------------------------|-----------|
| Bonds Not Matured (Note 6) | 2,155,000 |
| Deferred Revenue (Note 4C) | 3,739,585 |

|                    |   |
|--------------------|---|
| Retirement Account | 3 |
|--------------------|---|

Fund Balances

Reserved:

|  |         |
|--|---------|
| Jail Commissary Fund                         | 401     |
| E-911 Fund                                   | 26,287  |
| Transient Tax Fund                           | 8,578   |
| Forestry Fund                                | 2,694   |
| Community Development Block Grant Fund       | 22,810  |
| Area Development Fund                        | 6       |
| Public Properties Corporation Fund (Note 10) | 616,092 |

Unreserved:

|   |           |
|---|-----------|
| General Fund                              | (742,272) |
| Road Fund                                 | 79,530    |
| Jail Fund                                 | (13,951)  |
| Local Government Economic Assistance Fund | 90,219    |

|                                     |                      |
|-------------------------------------|----------------------|
| Total Liabilities and Fund Balances | <u>\$ 10,757,981</u> |
|-------------------------------------|----------------------|

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

|   | Totals<br>(Memorandum<br>Only) | General<br>Fund     | Road and<br>Bridge<br>Fund | Jail<br>Fund      |
|---|--------------------------------|---------------------|----------------------------|-------------------|
| <u>Cash Receipts</u>  |                                |                     |                            |                   |
| Schedule of Operating Revenue   | \$ 6,183,645                   | \$ 1,974,213        | \$ 976,442                 | \$ 176,103        |
| Transfers In  | 1,101,997                      |                     |                            | 355,500           |
| Kentucky Advance Revenue Program  | 1,196,595                      | 1,014,350           | 182,245                    |                   |
| Lease-Purchase Proceeds   | 1,929,292                      | 1,929,292           |                            |                   |
| Jail Commissary Fund Receipts   | 665                            |                     |                            |                   |
| Total Cash Receipts   | <u>\$ 10,412,194</u>           | <u>\$ 4,917,855</u> | <u>\$ 1,158,687</u>        | <u>\$ 531,603</u> |
| <u>Cash Disbursements</u>   |                                |                     |                            |                   |
| Comparative Schedule of Final Budget<br>and Budgeted Expenditures       | \$ 5,681,146                   | \$ 1,553,888        | \$ 955,185                 | \$ 532,755        |
| Schedule of Unbudgeted Expenditures                                     | 153,174                        |                     |                            |                   |
| Schedule of Other Expenditures  |                                |                     |                            |                   |
| Transfers Out   | 1,101,997                      | 477,604             |                            |                   |
| Borrowed Money Repaid   | 2,229,894                      | 1,857,188           |                            |                   |
| Kentucky Advance Revenue Program<br>Principal Repaid                    | 1,196,595                      | 1,014,350           | 182,245                    |                   |
| Capital Lease Payments  | 36,000                         | 18,000              |                            |                   |
| Jail Commissary Fund Expenditures                                       | 946                            |                     |                            |                   |
| Total Cash Disbursements  | <u>\$ 10,399,752</u>           | <u>\$ 4,921,030</u> | <u>\$ 1,137,430</u>        | <u>\$ 532,755</u> |
| Excess (Deficiency) of Cash Receipts<br>Over (Under) Cash Disbursements | \$ 12,442                      | \$ (3,175)          | \$ 21,257                  | \$ (1,152)        |
| Cash Balance-July 1, 1997*  | <u>872,238</u>                 | <u>52,418</u>       | <u>69,067</u>              | <u>3,603</u>      |
| Cash Balance-June 30, 1998* (Note 10)                                   | <u>\$ 884,680</u>              | <u>\$ 49,243</u>    | <u>\$ 90,324</u>           | <u>\$ 2,451</u>   |

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.



PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 1998  
(Continued)

| Jail<br>Commissary<br>Fund | Local<br>Government<br>Economic<br>Assistance<br>Fund | E-911<br>Fund | Transient<br>Tax<br>Fund | Forestry<br>Fund | Community<br>Development<br>Block Grant<br>Buckhorn<br>Water Project<br>Fund |
|----------------------------|---|---------------|--------------------------|------------------|--|
| \$                         | \$ 1,518,447<br>312,446                               | \$ 275,498    | \$                       | \$ 6,120         | \$ 512,465   |
| 665                        |   |               |                          |                  |  |
| \$ 665                     | \$ 1,830,893  | \$ 275,498    | \$ 0                     | \$ 6,120         | \$ 512,465   |
| \$                         | \$ 1,360,673  | \$ 415,047    | \$ 14,662                | \$ 5,783         | \$ 828,436   |
|                            | 434,051   |               |                          |                  |  |
|                            | 18,000  |               |                          |                  |  |
| 946                        |   |               |                          |                  |  |
| \$ 946                     | \$ 1,812,724  | \$ 415,047    | \$ 14,662                | \$ 5,783         | \$ 828,436   |
| \$ (281)                   | \$ 18,169   | \$ (139,549)  | \$ (14,662)              | \$ 337           | \$ (315,971)   |
| 682                        | 75,285  | 165,836       | 23,293                   | 2,304            | 338,781  |
| \$ 401                     | \$ 93,454   | \$ 26,287     | \$ 8,631                 | \$ 2,641         | \$ 22,810  |

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Local<br>Government<br>Economic<br>Development<br>Multi-County<br>Fund | Local<br>Government<br>Economic<br>Development<br>Perry County<br>Manufacturing<br>Fund | Perry County<br>Area<br>Development<br>Fund | Public<br>Properties<br>Corporation<br>Fund |
|---|--|---|---|---|
| <u>Cash Receipts</u>  |  |   |   |   |
| Schedule of Operating Revenue   | \$ 14,717  | \$ 549,658  | \$ 34                                       | \$ 179,948                                  |
| Transfers In  |  |   |   | 434,051                                     |
| Kentucky Advance Revenue Program  |  |   |   |   |
| Lease-Purchase Proceeds   |  |   |   |   |
| Jail Commissary Fund Receipts   |  |   |   |   |
| Total Cash Receipts   | <u>\$ 14,717</u>   | <u>\$ 549,658</u>   | <u>\$ 34</u>                                | <u>\$ 613,999</u>                           |
| <u>Cash Disbursements</u>   |  |   |   |   |
| Comparative Schedule of Final Budget<br>and Budgeted Expenditures       | \$ 14,717  | \$  | \$  | \$  |
| Schedule of Unbudgeted Expenditures                                     |  |   | 2,792                                       | 150,382                                     |
| Schedule of Other Expenditures  |  |   |   |   |
| Transfers Out   |  | 190,342   |   |   |
| Borrowed Money Repaid   |  | 360,000   |   | 12,706                                      |
| Kentucky Advance Revenue Program<br>Principal Repaid                    |  |   |   |   |
| Capital Lease Payments  |  |   |   |   |
| Jail Commissary Fund Expenditures                                       |  |   |   |   |
| Total Cash Disbursements  | <u>\$ 14,717</u>   | <u>\$ 550,342</u>   | <u>\$ 2,792</u>                             | <u>\$ 163,088</u>                           |
| Excess (Deficiency) of Cash Receipts<br>Over (Under) Cash Disbursements | \$ 0   | \$ (684)  | \$ (2,758)                                  | \$ 450,911                                  |
| Cash Balance-July 1, 1997*  |  | 684   | 2,764                                       | 137,521                                     |
| Cash Balance-June 30, 1998* (Note 10)                                   | <u>\$ 0</u>  | <u>\$ 0</u>   | <u>\$ 6</u>                                 | <u>\$ 588,432</u>                           |
|   |  |   |   | (Note 10)                                   |

\* Cash Balance Includes Investments

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Perry County Public Properties Corporation and the jail commissary fund as part of the reporting entity. However, we did not evaluate other potential component units for inclusion in our audit report.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Perry County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of August 13, 1997, the uncollateralized amount on deposit was \$428,816. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

Note 3. Deposits and Investments (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 13, 1997.

|   | <u>Bank Balance</u> |
|---|---------------------|
| Collateralized with securities held by pledging depository institution in the county's name | \$ 750,000          |
| Uncollateralized and uninsured  | <u>428,816</u>      |
| Total   | <u>\$ 1,178,816</u> |

Note 4. Receivables

A) Economic Development Bond Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996 for the purpose of defraying the cost of acquisition and off-site development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement. As of June 30, 1998, the principal balance due was \$900,000.

B) Multi County Economic Development Bond Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996 for the purpose of reimbursing the cost of acquisition and off-site development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement. As of June 30, 1998, the principal balance due was \$900,000.

C) Cintas Sales Corporation Receivable

The county loaned \$3,977,000 to Cintas Sales Corporation on March 2, 1994 for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an 8 percent interest rate. Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 1998, the principal balance due was \$3,739,585.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

Note 5. Short-Term Debt

A) Due From General Fund

During fiscal year ended June 30, 1994, the general fund paid architecture fees on behalf of the Perry County Public Properties Corporation Fund in the amount of \$27,600. Subsequent to the disbursement, the Perry County Public Properties Corporation reimbursed the general fund twice for the same disbursement. As of June 30, 1998, this error had not been corrected and the general fund owes the Public Properties Fund \$27,600.

B) Due From Transient Tax Fund

During fiscal year ended June 30, 1995, the transient tax fund erroneously deposited a \$53 check from the Perry County Sheriff that should have been deposited in the Forestry Fund. As of June 30, 1998, this error had not been corrected and the transient tax fund owes the forestry fund \$53.

C) Bank Note

The county borrowed \$57,000 from Fifth Third Bank on June 11, 1998. The proceeds of the note were used to pay financing expenses relating to the issuance of a Kentucky Area Development District Lease. Terms of the note stipulate a variable interest rate, with the principal amount due at the December 30, 1998 maturity date. As of June 30, 1998, the principal amount outstanding was \$57,000.

Note 6. Long-Term Debt

On September 1, 1993, the Perry County Public Properties Corporation issued a public project refunding and improvement bond. Principal is payable annually on March 1 and interest is payable semiannually on March 1 and September 1. The following represents bond debt service requirements:

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Scheduled</u><br><u>Interest</u> | <u>Scheduled</u><br><u>Principal</u> |
|-------------------------------------|-------------------------------------|--------------------------------------|
| June 30, 1999                       | \$ 119,051                          | \$ 315,000                           |
| June 30, 2000                       | 102,671                             | 330,000                              |
| June 30, 2001                       | 84,851                              | 345,000                              |
| June 30, 2002                       | 65,531                              | 365,000                              |
| June 30, 2003                       | 45,000                              | 390,000                              |
| June 30, 2004                       | 23,063                              | 410,000                              |
| Totals                              | <u>\$ 440,167</u>                   | <u>\$ 2,155,000</u>                  |

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

Note 7. Lease-Purchase Agreements

A) The county entered into a capital lease agreement with the Kentucky Association of Counties for the purchase of voting machines on December 22, 1994. Terms of the agreement stipulate a ten-year repayment schedule with variable monthly interest payments and variable annual principal payments. The following represents bond debt service requirements:

Liabilities of the Fund are:

| <u>Fiscal Year<br/>Ending</u> | <u>Interest and<br/>Other Fees</u> | <u>Principal</u>  |
|-------------------------------|------------------------------------|-------------------|
| June 30, 1999                 | \$ 9,151                           | \$ 20,000         |
| June 30, 2000                 | 7,721                              | 21,000            |
| June 30, 2001                 | 6,221                              | 22,000            |
| June 30, 2002                 | 4,622                              | 24,000            |
| June 30, 2003                 | 2,912                              | 25,000            |
| June 30, 2004                 | <u>1,103</u>                       | <u>27,000</u>     |
| Total                         | <u>\$ 31,730</u>                   | <u>\$ 139,000</u> |

B) The county entered into a capital lease agreement with the Kentucky Association of Counties for the purchase of ambulances on January 13, 1997. Terms of the agreement stipulate a five-year repayment schedule with variable monthly interest payments and variable annual principal payments. The following represents bond debt service requirements:

Liabilities of the Fund are:

| <u>Fiscal Year<br/>Ending</u> | <u>Interest and<br/>Other Fees</u> | <u>Principal</u> |
|-------------------------------|------------------------------------|------------------|
| June 30, 1999                 | \$ 4,314                           | \$ 19,000        |
| June 30, 2000                 | 3,184                              | 20,000           |
| June 30, 2001                 | 1,995                              | 21,000           |
| June 30, 2002                 | <u>747</u>                         | <u>22,000</u>    |
| Total                         | <u>\$ 10,240</u>                   | <u>\$ 82,000</u> |

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

C) On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule. The lease agreement requires semiannual lease agreements and annual principal payments. The following represents lease debt service requirements

| <u>Fiscal Year<br/>Ending</u> | <u>Interest and<br/>Other Fees</u> | <u>Principal</u>    |
|-------------------------------|------------------------------------|---------------------|
| June 30, 1999                 | \$ 109,141                         | \$ 60,000           |
| June 30, 2000                 | 101,452                            | 60,000              |
| June 30, 2001                 | 98,663                             | 65,000              |
| June 30, 2002                 | 95,640                             | 65,000              |
| June 30, 2003                 | 92,618                             | 70,000              |
| Amount Thereafter             | <u>822,550</u>                     | <u>1,610,000</u>    |
| Total                         | <u>\$ 1,320,064</u>                | <u>\$ 1,930,000</u> |

Note 8. Unpaid Obligations

As of June 30, 1998, the county was liable for \$706,855 in claims incurred by the General Fund; Road Fund claims of \$10,794; Jail Fund claims of \$16,402; and Local Government Economic Assistance Fund claims of \$3,235.

Note 9. Operating Leases

- A) The county entered into a lease agreement with GMAC for a 1996 Chevrolet K-3500 Crew Cab Pickup on April 12, 1996. Terms of the agreement stipulate a 3-year repayment schedule, with fixed monthly payments of \$775.
- B) The county entered into a lease agreement with GMAC for a 1996 Chevrolet Blazer on March 28, 1996. Terms of the agreement stipulate a 3-year repayment schedule, with fixed monthly payments of \$475.

Note 10. Perry County Public Properties Corporation June 30, 1998 Cash Balance

The Statement of Assets, Liabilities, And Fund Balances Arising From Cash Transactions and the Statement of Cash Receipts, Cash Disbursements, And Changes In Cash Balances shows a cash balance of \$588,432 in the Perry County Public Properties Corporation Fund. This balance is the result of financial transactions for the bank statements that were examined by auditors. It came to our attention that there were other bank statements for the Perry County Public Properties Corporation Fund that we did not examine. The Perry County Public Properties Corporation is not included on the County's financial statements; therefore, we do not know if there was additional activity in the fund.



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1998  
(Continued)

Note 11. Related Party Transactions

During fiscal year ending, June 30, 1998, the fiscal court paid \$10,343 to Perry County News for notices and advertisements. Perry County News is partly owned by former Deputy Judge/Executive Clifford R. Walters.

Note 12. Subsequent Events

On May 6, 1999, former Perry County Judge/Executive, Sherman Neace, was indicted in the United States District Court, Eastern District of Kentucky, on five (5) counts of mail fraud and five (5) counts of money laundering, all in violation of federal law. These charged offenses allegedly occurred during 1995 and 1996 when Mr. Neace was Perry County Judge/Executive. On January 21, 2000, Mr. Neace entered into a plea agreement with the United States Attorney, in which he agreed to plead guilty to one count of mail fraud, and the United States agreed to recommend that the remaining nine (9) counts be dismissed. On April 10, 2000, Mr. Neace was convicted of one count of mail fraud, and received a sentence of 15 months in federal prison.

Note 13. Insurance

For the fiscal year ended June 30, 1998, Perry County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

| <u>Budgeted Funds</u>   | Budgeted<br>Operating<br>Revenue | Actual<br>Operating<br>Revenue | Over<br>(Under)<br>Budget |
|---|----------------------------------|--------------------------------|---------------------------|
| General Fund  | \$ 2,571,840                     | \$ 1,974,213                   | \$ (597,627)              |
| Road and Bridge Fund  | 1,156,206                        | 976,442                        | (179,764)                 |
| Jail Fund   | 473,157                          | 176,103                        | (297,054)                 |
| Local Government Economic Assistance Fund                                 | 1,835,229                        | 1,518,447                      | (316,782)                 |
| E-911 Fund  | 258,000                          | 275,498                        | 17,498                    |
| Transient Tax Fund  | 20,000                           |                                | (20,000)                  |
| Forestry Fund   | 6,000                            | 6,120                          | 120                       |
| Community Development Block Grant-<br>Buckhorn Water Project Fund         | 921,527                          | 512,465                        | (409,062)                 |
| Local Government Economic Development-<br>Multi-County Fund               | 569,679                          | 14,717                         | (554,962)                 |
| Local Government Economic Development-<br>Perry County Manufacturing Fund | 549,658                          | 549,658                        |                           |
| Totals  | <u>\$ 8,361,296</u>              | <u>\$ 6,003,663</u>            | <u>\$ (2,357,633)</u>     |

Reconciliation

|  |                     |
|--|---------------------|
| Total Budgeted Operating Revenue Above   | \$ 8,361,296        |
| Add: Budgeted Prior Year Surplus   | 345,836             |
| Less: Other Financing Uses   | <u>(2,290,194)</u>  |
| Total Operating Budget Per Comparative Schedule<br>Of Final Budget and Budgeted Expenditures | <u>\$ 6,416,938</u> |

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SCHEDULE OF OPERATING REVENUE

PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

|  | Totals<br>(Memorandum<br>Only) | General<br>Fund     | Road and<br>Bridge<br>Fund | Jail<br>Fund |
|--|--------------------------------|---------------------|----------------------------|--------------|
| Revenue From Local Taxes<br><u>and Excess Fees</u> |                                |                     |                            |              |
| Sheriff:   |                                |                     |                            |              |
| Property Taxes                                     | \$ 803,486                     | \$ 800,252          | \$                         | \$           |
| Unmined Coal Taxes                                 | 225,750                        | 225,750             |                            |              |
| Advertising Fees                                   | 1,136                          | 1,136               |                            |              |
| County Clerk:                                      |                                |                     |                            |              |
| Deed Transfer Tax                                  | 42,054                         | 42,054              |                            |              |
| Occupational Licenses                              | 10,437                         | 10,437              |                            |              |
| Delinquent Taxes                                   | 40,560                         | 40,560              |                            |              |
| Motor Vehicle Property Taxes                       | 171,082                        | 171,082             |                            |              |
| Excess Fees  | 100,000                        | 100,000             |                            |              |
| Occupational Employment Tax                        |                                |                     |                            |              |
| Insurance Premium Tax                              |                                |                     |                            |              |
| In Lieu of Taxes:                                  |                                |                     |                            |              |
| Tennessee Valley Authority                         |                                |                     |                            |              |
| U.S. Treasurer                                     |                                |                     |                            |              |
| Other in Lieu Payments                             |                                |                     |                            |              |
| Totals   | <u>\$ 1,394,505</u>            | <u>\$ 1,391,271</u> | <u>\$ 0</u>                | <u>\$ 0</u>  |
| <u>U.S. Treasurer</u>                              |                                |                     |                            |              |
| Payments In Lieu of Taxes                          | \$ 2,886                       | \$                  | \$                         | \$           |
| Section Eight Housing Assistance                   |                                |                     |                            |              |
| Army Corps of Engineers-                           |                                |                     |                            |              |
| Buckhorn Water Project                             | 31,458                         |                     |                            |              |
| Totals   | <u>\$ 34,344</u>               | <u>\$ 0</u>         | <u>\$ 0</u>                | <u>\$ 0</u>  |



PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

| Local<br>Government<br>Economic<br>Assistance<br>Fund | E-911<br>Fund | Forestry<br>Fund | Community<br>Development<br>Block Grant<br>Buckhorn<br>Water Project<br>Fund | Local<br>Government<br>Economic<br>Development<br>Multi-County<br>Fund | Local<br>Government<br>Economic<br>Development<br>Perry County<br>Manufacturing<br>Fund |
|---|---------------|------------------|--|--|---|
| \$  | \$            | \$ 3,234         | \$   | \$   | \$  |
| \$ 0  | \$ 0          | \$ 3,234         | \$ 0   | \$ 0   | \$ 0  |
| \$  | \$            | \$ 2,886         | \$   | \$   | \$  |
|   |               |                  | 31,458   |  |   |
| \$ 0  | \$ 0          | \$ 2,886         | \$ 31,458  | \$ 0   | \$ 0  |

PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

|  | Perry County<br>Area<br>Development<br>Fund | Public<br>Properties<br>Corporation |
|--|---|-------------------------------------|
| Revenue From Local Taxes<br><u>and Excess Fees</u> |   |                                     |
| Sheriff:   |   |                                     |
| Property Taxes                                     | \$  | \$                                  |
| Unmined Coal Taxes                                 |   |                                     |
| Advertising Fees                                   |   |                                     |
| County Clerk:                                      |   |                                     |
| Deed Transfer Tax                                  |   |                                     |
| Occupational Licenses                              |   |                                     |
| Delinquent Taxes                                   |   |                                     |
| Motor Vehicle Property Taxes                       |   |                                     |
| Excess Fees  |   |                                     |
| Occupational Employment Tax                        |   |                                     |
| Insurance Premium Tax                              |   |                                     |
| In Lieu of Taxes:                                  |   |                                     |
| Tennessee Valley Authority                         |   |                                     |
| U.S. Treasurer                                     |   |                                     |
| Other in Lieu Payments                             |   |                                     |
| Totals   | \$ 0  | \$ 0                                |
| <u>U.S. Treasurer</u>                              |   |                                     |
| Payments In Lieu of Taxes                          | \$  | \$                                  |
| Section Eight Housing Assistance                   |   |                                     |
| Army Corps of Engineers-<br>Buckhorn Water Project |   |                                     |
| Totals   | \$ 0  | \$ 0                                |

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PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Totals<br>(Memorandum<br>Only) | General<br>Fund | Road and<br>Bridge<br>Fund | Jail<br>Fund |
|---|--------------------------------|-----------------|----------------------------|--------------|
| <u>Federal Receipts - State Treasurer</u> |                                |                 |                            |              |
| Disaster and Emergency Assistance         |                                |                 |                            |              |
| Grants - Coordinator Salary               | \$ 11,512                      | \$              | \$                         | \$           |
| Community Development Block               |                                |                 |                            |              |
| Grants - Buckhorn Water Project           | 58,000                         |                 |                            |              |
| National Forestry Receipts                | 1,693                          |                 | 1,693                      |              |
| Totals                                    | \$ 71,205                      | \$ 0            | \$ 1,693                   | \$ 0         |
| <u>Kentucky State Treasurer</u>           |                                |                 |                            |              |
| Jail:                                     |                                |                 |                            |              |
| Allotments                                | \$ 105,569                     | \$              | \$                         | \$ 105,569   |
| Medical Allotments                        | 7,493                          |                 |                            | 7,493        |
| Driving Under The Influence Fees          | 11,779                         |                 |                            | 11,779       |
| Court Costs, Jail Operation               | 22,247                         |                 |                            | 22,247       |
| Social Security Administration            | 9,000                          |                 |                            | 9,000        |
| County Road Aid                           | 742,815                        |                 | 742,815                    |              |
| Snow Removal                              | 135,372                        |                 |                            |              |
| Rural and Municipal Aid                   | 7,000                          |                 | 7,000                      |              |
| Truck License Distribution                | 151,651                        |                 | 151,651                    |              |
| Road Energy Recovery                      | 34,816                         |                 | 34,816                     |              |
| Public Service Company                    | 6,588                          | 6,588           |                            |              |
| Fire Protection                           | 1,421                          | 1,421           |                            |              |
| Strip Mine Permits                        | 81,144                         | 81,144          |                            |              |
| Courthouse Rental - Administrative        |                                |                 |                            |              |
| Office of the Courts                      | 80,507                         | 80,507          |                            |              |
| Coal County Development                   | 549,658                        |                 |                            |              |
| Refunds:                                  |                                |                 |                            |              |
| Legal Process Tax                         | 189                            | 189             |                            |              |
| Drivers Licenses                          | 2,883                          |                 | 2,883                      |              |
| Dog Licenses                              | 12                             |                 |                            |              |
| Delinquent Taxes                          | 16                             | 16              |                            |              |
| State Reimbursement/Refund                | 11,181                         | 11,181          |                            |              |
| Severance Taxes:                          |                                |                 |                            |              |
| Coal                                      | 749,881                        |                 |                            |              |
| Mineral                                   | 323,616                        |                 |                            |              |

PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

| Local Government Economic Assistance Fund | E-911 Fund  | Forestry Fund | Community Development Block Grant Buckhorn Water Project Fund | Local Government Economic Development Multi-County Fund | Government Economic Development Perry County Manufacturing Fund |
|---|-------------|---------------|---|---|---|
| \$ 11,512                                 | \$          | \$            | \$  | \$  | \$  |
|   |             |               | 58,000  |   |   |
| <u>\$ 11,512</u>                          | <u>\$ 0</u> | <u>\$ 0</u>   | <u>\$ 58,000</u>  | <u>\$ 0</u>   | <u>\$ 0</u>   |
| \$  | \$          | \$            | \$  | \$  | \$  |
| 135,372                                   |             |               |   |   |   |
|   |             |               |   |   | 549,658   |
| 12  |             |               |   |   |   |
| 749,881                                   |             |               |   |   |   |
| 323,616                                   |             |               |   |   |   |

PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Perry County<br>Area<br>Development<br>Fund | Public<br>Properties<br>Corporation |
|---|---|-------------------------------------|
| <u>Federal Receipts - State Treasurer</u> |   |                                     |
| Disaster and Emergency Assistance         |   |                                     |
| Grants - Coordinator Salary               | \$  | \$                                  |
| Community Development Block               |   |                                     |
| Grants - Buckhorn Water Project           |   |                                     |
| National Forestry Receipts                |   |                                     |
|   | <u>                    </u>                 | <u>                    </u>         |
| Totals                                    | <u>\$                    0</u>              | <u>\$                    0</u>      |
| <u>Kentucky State Treasurer</u>           |   |                                     |
| Jail:                                     |   |                                     |
| Allotments                                | \$  | \$                                  |
| Medical Allotments                        |   |                                     |
| Driving Under The Influence Fees          |   |                                     |
| Court Costs, Jail Operation               |   |                                     |
| Social Security Administration            |   |                                     |
| County Road Aid                           |   |                                     |
| Snow Removal                              |   |                                     |
| Rural and Municipal Aid                   |   |                                     |
| Truck License Distribution                |   |                                     |
| Road Energy Recovery                      |   |                                     |
| Public Service Company                    |   |                                     |
| Fire Protection                           |   |                                     |
| Strip Mine Permits                        |   |                                     |
| Courthouse Rental - Administrative        |   |                                     |
| Office of the Courts                      |   |                                     |
| Coal County Development                   |   |                                     |
| Refunds:                                  |   |                                     |
| Legal Process Tax                         |   |                                     |
| Drivers Licenses                          |   |                                     |
| Dog Licenses                              |   |                                     |
| Delinquent Taxes                          |   |                                     |
| State Reimbursement/Refund                |   |                                     |
| Severance Taxes:                          |   |                                     |
| Coal                                      |   |                                     |
| Mineral                                   |   |                                     |

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PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Totals<br>(Memorandum<br>Only) | General<br>Fund | Road and<br>Bridge<br>Fund | Jail<br>Fund |
|--|--------------------------------|-----------------|----------------------------|--------------|
| <u>Kentucky State Treasurer</u>                                    |                                |                 |                            |              |
| Board of Assessments   | \$ 400                         | \$ 400          | \$                         | \$           |
| Omitted Tangible Tax   | 14,237                         | 14,237          |                            |              |
| National Forest Receipts   |                                |                 |                            |              |
| Motor Vehicle Tax  | 33,204                         | 33,204          |                            |              |
| Grants:  |                                |                 |                            |              |
| Kentucky Law Enforcement<br>Program                                | 22,351                         | 22,351          |                            |              |
| Disaster and Emergency<br>Assistance Grant -<br>Coordinator Salary | 379                            |                 |                            |              |
| Department of Parks-<br>Buckhorn Water Project                     | 245,958                        |                 |                            |              |
| Multi-County Project   | 14,717                         |                 |                            |              |
| Totals   | \$ 3,366,084                   | \$ 251,238      | \$ 939,165                 | \$ 156,088   |

Miscellaneous Revenue

|                                       |           |           |           |        |
|---------------------------------------|-----------|-----------|-----------|--------|
| Interest                              | \$ 46,359 | \$ 30,415 | \$ 11,640 | \$     |
| Jail:                                 |           |           |           |        |
| Telephone Commission Refunds          | 18,036    |           |           | 18,036 |
| Cintas Sales Corporation:             |           |           |           |        |
| Job Assessment Fees                   | 179,948   |           |           |        |
| Reimbursement - Ambulance Service     |           |           |           |        |
| Lease Payment                         | 22,462    |           |           |        |
| Telephone Surcharge                   | 275,498   |           |           |        |
| Recycling                             | 1,552     |           |           |        |
| Cornettsville Bridge Project          | 143,944   |           | 23,944    |        |
| Swimming Pool Receipts                | 8,752     | 8,752     |           |        |
| Refunds                               | 292       | 292       |           |        |
| Rentals                               | 7,420     | 7,420     |           |        |
| Solid Waste Franchise Fees            | 239,833   | 150,656   |           |        |
| Telephone Commissions                 | 294       | 294       |           |        |
| Surplus Machinery and Equipment Sales | 166,333   | 115,703   |           |        |



PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

| Local<br>Government<br>Economic<br>Assistance<br>Fund | E-911<br>Fund | Forestry<br>Fund | Community<br>Development<br>Block Grant<br>Buckhorn<br>Water Project<br>Fund | Local<br>Government<br>Economic<br>Development<br>Multi-County<br>Fund | Government<br>Economic<br>Development<br>Perry County<br>Manufacturing<br>Fund |
|---|---------------|------------------|--|--|--|
| \$  | \$            | \$               | \$   | \$   | \$   |
| 379   |               |                  | 245,958  | 14,717   |  |
| <u>\$ 1,209,260</u>                                   | <u>\$ 0</u>   | <u>\$ 0</u>      | <u>\$ 245,958</u>  | <u>\$ 14,717</u>   | <u>\$ 549,658</u>  |
| \$ 4,270  | \$            | \$               | \$   | \$   | \$   |
| 22,462  | 275,498       |                  |  |  |  |
| 1,552   |               |                  |  |  |  |
| 120,000   |               |                  |  |  |  |
| 89,177  |               |                  |  |  |  |
| 50,630  |               |                  |  |  |  |

PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Perry County<br>Area<br>Development<br>Fund | Public<br>Properties<br>Corporation |
|--|---|-------------------------------------|
| <u>Kentucky State Treasurer</u>                                    |   |                                     |
| Board of Assessments   | \$  | \$                                  |
| Omitted Tangible Tax   |   |                                     |
| National Forest Receipts   |   |                                     |
| Motor Vehicle Tax  |   |                                     |
| Grants:  |   |                                     |
| Kentucky Law Enforcement<br>Program                                |   |                                     |
| Disaster and Emergency<br>Assistance Grant -<br>Coordinator Salary |   |                                     |
| Department of Parks-<br>Buckhorn Water Project                     |   |                                     |
| Multi-County Project   |   |                                     |
|  | <u>                    </u>                 | <u>                    </u>         |
| Totals   | <u>\$          0</u>                        | <u>\$          0</u>                |

Miscellaneous Revenue

|                                       |                |         |
|---------------------------------------|----------------|---------|
| Interest                              | \$          34 | \$      |
| Jail:                                 |                |         |
| Telephone Commission Refunds          |                |         |
| Cintas Sales Corporation:             |                |         |
| Job Assessment Fees                   |                | 179,948 |
| Reimbursement - Ambulance Service     |                |         |
| Lease Payment                         |                |         |
| Telephone Surcharge                   |                |         |
| Recycling                             |                |         |
| Cornettsville Bridge Project          |                |         |
| Swimming Pool Receipts                |                |         |
| Refunds                               |                |         |
| Rentals                               |                |         |
| Solid Waste Franchise Fees            |                |         |
| Telephone Commissions                 |                |         |
| Surplus Machinery and Equipment Sales |                |         |

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PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Totals<br>(Memorandum<br>Only) | General<br>Fund | Road and<br>Bridge<br>Fund | Jail<br>Fund |
|---|--------------------------------|-----------------|----------------------------|--------------|
| <u>Miscellaneous Revenue</u>                          |                                |                 |                            |              |
| Vending Machines                                      | \$ 253                         | \$ 253          | \$                         | \$           |
| Payments From Sheriff                                 | 15,669                         | 15,669          |                            |              |
| Employee Insurance Reimbursement                      | 2,525                          |                 |                            |              |
| Presbyterian Child Welfare-<br>Buckhorn Water Project | 177,049                        |                 |                            |              |
| Miscellaneous Items                                   | 11,288                         | 2,250           |                            | 1,979        |
|   |                                |                 |                            |              |
| Totals  | \$ 1,317,507                   | \$ 331,704      | \$ 35,584                  | \$ 20,015    |
|   |                                |                 |                            |              |
| Total Operating Revenue                               | \$ 6,183,645                   | \$ 1,974,213    | \$ 976,442                 | \$ 176,103   |

PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

| Local<br>Government<br>Economic<br>Assistance<br>Fund | E-911<br>Fund            | Forestry<br>Fund       | Community<br>Development<br>Block Grant<br>Buckhorn<br>Water Project<br>Fund | Local<br>Government<br>Economic<br>Development<br>Multi-County<br>Fund | Government<br>Economic<br>Development<br>Perry County<br>Manufacturing<br>Fund |
|---|--------------------------|------------------------|--|--|--|
| \$  | \$                       | \$                     | \$   | \$   | \$   |
| 2,525   |                          |                        |  |  |  |
| 7,059   |                          |                        | 177,049  |  |  |
| <u>\$ 297,675</u>                                     | <u>\$ 275,498</u>        | <u>\$ 0</u>            | <u>\$ 177,049</u>  | <u>\$ 0</u>  | <u>\$ 0</u>  |
| <u><u>\$ 1,518,447</u></u>                            | <u><u>\$ 275,498</u></u> | <u><u>\$ 6,120</u></u> | <u><u>\$ 512,465</u></u>   | <u><u>\$ 14,717</u></u>  | <u><u>\$ 549,658</u></u>   |

PERRY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|                                  | Perry County<br>Area<br>Development<br>Fund | Public<br>Properties<br>Corporation |
|----------------------------------|---|-------------------------------------|
| <hr/>                            |   |                                     |
| <u>Miscellaneous Revenue</u>     |   |                                     |
| Vending Machines                 | \$  | \$                                  |
| Payments From Sheriff            |   |                                     |
| Employee Insurance Reimbursement |   |                                     |
| Presbyterian Child Welfare-      |   |                                     |
| Buckhorn Water Project           |   |                                     |
| Miscellaneous Items              | .   | .                                   |
|                                  | <hr/>                                       | <hr/>                               |
| Totals                           | . \$ 34                                     | . \$ 179,948                        |
|                                  | <hr/>                                       | <hr/>                               |
| Total Operating Revenue          | : \$ 34                                     | : \$ 179,948                        |
|                                  | <hr/>                                       | <hr/>                               |

COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

|                                   | <u>Final</u><br><u>Budget</u> | <u>Budgeted</u><br><u>Expenditures</u> | <u>Under</u><br><u>(Over)</u><br><u>Budget</u> |
|-----------------------------------|-------------------------------|--|--|
| <u>GENERAL FUND</u>               |                               |  |  |
| <u>General Government</u>         |                               |  |  |
| Office of County Judge/Executive: |                               |  |  |
| Salaries-                         |                               |  |  |
| County Judge/Executive            | \$ 46,376                     | \$ 46,376                              | \$   |
| Deputy County Judge/Executive     | 3,600                         | 3,600                                  |  |
| Finance Officer                   | 42,300                        | 42,300                                 |  |
| Secretaries                       | 17,687                        | 17,687                                 |  |
| Office Materials and Supplies     | 7,717                         | 7,717                                  |  |
| Computer Materials                | 290                           | 290                                    |  |
| Other Materials and Supplies      | 803                           | 803                                    |  |
| NCECE Membership Dues             | 303                           | 303                                    |  |
| Postage                           | 346                           | 346                                    |  |
| Miscellaneous                     | 990                           | 990                                    |  |
| Office of County Attorney:        |                               |  |  |
| Salaries-                         |                               |  |  |
| County Attorney                   | 33,297                        | 33,297                                 |  |
| Assistant County Attorney         | 1,800                         | 1,800                                  |  |
| Other Salaries                    | 9,583                         | 9,583                                  |  |
| Postage                           | 701                           | 701                                    |  |
| Office of County Clerk:           |                               |  |  |
| Office Materials and Supplies     | 20,275                        | 20,275                                 |  |
| Tax Bill Preparation              | 10,820                        | 10,820                                 |  |
| Water                             | 512                           | 512                                    |  |
| Office of Sheriff:                |                               |  |  |
| Unemployment Insurance            | 4,791                         | 4,791                                  |  |
| Advertising Tax Bills             | 334                           | 334                                    |  |
| Matching Share                    | 9,400                         | 9,400                                  |  |
| Bond                              | 1,314                         | 1,314                                  |  |
| Insurance                         | 10,931                        | 10,931                                 |  |
| Water                             | 305                           | 305                                    |  |
| Communication Equipment           | 3,726                         | 3,726                                  |  |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued)             |                 |                          |                           |
| <u>General Government</u> (Continued)       |                 |                          |                           |
| Office of County Coroner:                   |                 |                          |                           |
| Salaries-                                   |                 |                          |                           |
| County Coroner                              | \$ 18,630       | \$ 18,630                | \$                        |
| Deputy Coroner                              | 4,200           | 4,200                    |                           |
| Autopsies and Attendant Service             | 8,158           | 8,158                    |                           |
| Fiscal Court:                               |                 |                          |                           |
| Magistrates-                                |                 |                          |                           |
| Salaries                                    | 58,841          | 58,841                   |                           |
| Expense Allowance                           | 10,800          | 10,800                   |                           |
| Advertising                                 | 37,994          | 37,994                   |                           |
| Other Contracted Services                   | 1,500           | 1,500                    |                           |
| Motor Vehicle Parts                         | 340             | 340                      |                           |
| Chamber of Commerce                         | 725             | 725                      |                           |
| Fiscal Court Contribution                   | 9,167           | 9,167                    |                           |
| Fiscal Court Medical                        | 467             | 467                      |                           |
| Membership Dues                             | 1,223           | 1,223                    |                           |
| Registrations, Conferences, and Training    | 820             | 820                      |                           |
| Travel                                      | 2,063           | 2,063                    |                           |
| Water                                       | 2,045           | 2,045                    |                           |
| Miscellaneous                               | 923             | 923                      |                           |
| Office of Property Valuation Administrator: |                 |                          |                           |
| Statutory Contribution                      | 34,379          | 34,379                   |                           |
| Office of Board of Assessment Appeals:      |                 |                          |                           |
| Miscellaneous                               | 800             | 800                      |                           |
| Office of County Treasurer:                 |                 |                          |                           |
| County Treasurer Salary                     | 5,040           | 5,040                    |                           |
| Bond  | 609             | 609                      |                           |
| County Law Library:                         |                 |                          |                           |
| Law Librarian Salary                        | 1,200           | 1,200                    |                           |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|                                       | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---------------------------------------|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued)       |                 |                          |                           |
| <u>General Government</u> (Continued) |                 |                          |                           |
| Office of District Court Clerk:       |                 |                          |                           |
| Contracts With Private Agencies       | \$ 7,760        | \$ 7,760                 | \$                        |
| Legal Fees                            | 1,250           | 1,250                    |                           |
| Psychiatric Evaluations               | 6,250           | 6,250                    |                           |
| <br>Trial Commissioner:               |                 |                          |                           |
| Miscellaneous                         | 2,667           | 2,667                    |                           |
| <br>Elections:                        |                 |                          |                           |
| Per Diem-                             |                 |                          |                           |
| Election Commissioners                | 11,225          | 11,225                   |                           |
| Election Officers                     | 6,960           | 6,960                    |                           |
| Other Fees                            | 840             | 840                      |                           |
| Advertising                           | 1,923           | 1,923                    |                           |
| Polling Places                        | 400             | 400                      |                           |
| Printing                              | 11,533          | 11,533                   |                           |
| Miscellaneous                         | 100             | 100                      |                           |
| <br>Courthouse:                       |                 |                          |                           |
| Salaries-                             |                 |                          |                           |
| Janitor Salaries                      | 71,791          | 71,791                   |                           |
| Maintenance and Repairs               | 54,961          | 54,961                   |                           |
| Pest Control                          | 3,000           | 3,000                    |                           |
| Elevator Maintenance                  | 2,334           | 2,334                    |                           |
| Custodial Supplies                    | 45,225          | 45,225                   |                           |
| Paint                                 | 1,184           | 1,184                    |                           |
| Plumbing Supplies                     | 5,004           | 5,004                    |                           |
| Other Materials and Supplies          | 359             | 359                      |                           |
| Electrical Repairs                    | 21,159          | 21,159                   |                           |
| Heating and Air Conditioning          | 5,016           | 5,016                    |                           |
| Medical Supplies                      | 1,010           | 1,010                    |                           |
| Utilities                             | 153,094         | 153,094                  |                           |
| <br>Other County Properties:          |                 |                          |                           |
| Land Acquisition                      | 9,500           | 9,500                    |                           |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued)           |                 |                          |                           |
| <u>Protection to Persons and Property</u> |                 |                          |                           |
| Juvenile Detention:                       |                 |                          |                           |
| Transporting Juveniles                    | \$ 1,362        | \$ 1,362                 | \$                        |
| Constables:                               |                 |                          |                           |
| Travel                                    | 8,700           | 8,700                    |                           |
| Disaster and Emergency Services:          |                 |                          |                           |
| Advertising                               | 3,475           | 3,475                    |                           |
| Sewage System:                            |                 |                          |                           |
| Transport Lines                           | 9,610           | 9,610                    |                           |
| Other Social Service Programs             |                 |                          |                           |
| LKLP Matching Grant                       | 800             | 800                      |                           |
| Transportation Facilities:                |                 |                          |                           |
| Salaries                                  | 18,437          | 18,437                   |                           |
| Office Supplies                           | 8,750           | 8,450                    | 300                       |
| Debt Service:                             |                 |                          |                           |
| Kentucky Association of Counties-         |                 |                          |                           |
| Lease Voting Machines-                    |                 |                          |                           |
| Interest                                  | 8,175           | 8,975                    | (800)                     |
| Kentucky Advance Revenue Program-         |                 |                          |                           |
| Interest                                  |                 | 21,687                   | (21,687)                  |
| Bank Note:                                |                 |                          |                           |
| Interest                                  | 25,000          | 25,000                   |                           |
| General Services:                         |                 |                          |                           |
| Bank Charges                              | 1,000           | 1,000                    |                           |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|                                   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|-----------------------------------|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued)   |                 |                          |                           |
| <u>Administration</u>             |                 |                          |                           |
| General Services:                 |                 |                          |                           |
| Auditing Services                 | \$ 50,269       | \$ 50,269                | \$                        |
| Civil Air Patrol                  | 419             | 419                      |                           |
| Insurance                         | 186,724         | 186,724                  |                           |
| Insurance, Surety Bonds           | 7,626           | 7,626                    |                           |
| Memberships-KCJEA                 | 1,320           | 1,320                    |                           |
| Memberships-KACO                  | 1,100           | 1,100                    |                           |
| Memberships-NACO                  | 519             | 519                      |                           |
| Kentucky River RC and D Council   | 300             | 300                      |                           |
| Coal County Coalition Dues        | 2,500           | 2,500                    |                           |
| General Services                  | 4,017           | 4,017                    |                           |
| Miscellaneous Expenses            | 1,197           | 1,205                    | (8)                       |
| Fringe Benefits:                  |                 |                          |                           |
| County Contributions-             |                 |                          |                           |
| Social Security                   | 46,297          | 46,297                   |                           |
| Retirement                        | 82,537          | 82,537                   |                           |
| Health Insurance                  | 94,381          | 94,381                   |                           |
| Worker's Compensation             | 89,571          | 89,571                   |                           |
| Unemployment Insurance            | 24,937          | 24,937                   |                           |
| Total Operating Budget            | \$ 1,531,693    | \$ 1,553,888             | \$ (22,195)               |
| Kentucky Association of Counties  |                 |                          |                           |
| Voting Machines-Principal         | 18,000          | 18,000                   |                           |
| Bank Notes                        |                 |                          |                           |
| Principal                         | 57,796          | 1,857,188                | (1,799,392)               |
| Kentucky Advance Revenue Program- |                 |                          |                           |
| Principal                         | 1,014,350       | 1,014,350                |                           |
| Total General Fund                | \$ 2,621,839    | \$ 4,443,426             | \$ (1,821,587)            |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|--|-----------------|--------------------------|---------------------------|
| <u>ROAD AND BRIDGE FUND</u>                    |                 |                          |                           |
| <u>Roads</u>                                   |                 |                          |                           |
| Office of Road Supervisor/Engineer:            |                 |                          |                           |
| Road Foreman Salary                            | \$ 22,680       | \$ 22,680                | \$                        |
| Road Maintenance:                              |                 |                          |                           |
| Road Laborer Salaries                          | 401,671         | 373,412                  | 28,259                    |
| Materials and Supplies                         | 492,610         | 486,359                  | 6,251                     |
| Debt Service:                                  |                 |                          |                           |
| Kentucky Advance Revenue Program-<br>Interest  |                 | 3,897                    | (3,897)                   |
| Lease Purchase Payments:                       |                 |                          |                           |
| 1996 Chevrolet F3500                           |                 | 3,875                    | (3,875)                   |
| 1996 Chevrolet Blazer                          |                 | 2,376                    | (2,376)                   |
| <u>Administration</u>                          |                 |                          |                           |
| General Services:                              |                 |                          |                           |
| National Forestry Receipts<br>to School        | 1,000           | 846                      | 154                       |
| Fringe Benefits:                               |                 |                          |                           |
| County Contributions-                          |                 |                          |                           |
| Retirement                                     | 43,000          | 34,268                   | 8,732                     |
| Social Security                                | 38,000          | 27,472                   | 10,528                    |
| Total Operating Budget                         | \$ 998,961      | \$ 955,185               | \$ 43,776                 |
| Other Financing Uses:                          |                 |                          |                           |
| Kentucky Advance Revenue Program-<br>Principal | 182,245         | 182,245                  |                           |
| Total Road and Bridge Fund                     | \$ 1,181,206    | \$ 1,137,430             | \$ 43,776                 |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>JAIL FUND</u>                          |                 |                          |                           |
| <u>Protection to Persons and Property</u> |                 |                          |                           |
| Office of Jailer:                         |                 |                          |                           |
| Personnel Services-                       |                 |                          |                           |
| Salaries-                                 |                 |                          |                           |
| Jailer                                    | \$ 47,551       | \$ 47,551                | \$                        |
| Jail Personnel                            | 250,838         | 250,838                  |                           |
| Operations-                               |                 |                          |                           |
| Cleaning Supplies                         | 10,112          | 10,112                   |                           |
| Contracts With Other Counties             | 14,217          | 14,217                   |                           |
| Equipment Repair                          | 852             | 852                      |                           |
| Contract Labor                            | 17,430          | 17,430                   |                           |
| Food                                      | 76,662          | 76,662                   |                           |
| Machinery and Equipment                   | 550             | 550                      |                           |
| Office Supplies                           | 1,067           | 1,067                    |                           |
| Prisoner Hygiene                          | 2,780           | 2,780                    |                           |
| Routine Medical                           | 33,999          | 33,999                   |                           |
| Staff Uniforms                            | 2,035           | 2,035                    |                           |
| Materials and Supplies                    | 1,053           | 1,053                    |                           |
| Water                                     | 423             | 423                      |                           |
| Maintenance and Repairs                   | 606             | 606                      |                           |
| Staff Travel                              | 60              | 60                       |                           |
| Miscellaneous                             | 274             | 274                      |                           |
| Vehicles                                  | 235             | 235                      |                           |
| Housing Prisoners - Other Counties        | 24,675          | 24,675                   |                           |
| <u>Administration</u>                     |                 |                          |                           |
| General Services:                         |                 |                          |                           |
| Association Dues                          | 30              | 30                       |                           |
| Jail/Bonds                                | 438             | 438                      |                           |
| Staff Training                            | 1,191           | 1,191                    |                           |
| Bank Charges                              | 508             | 508                      |                           |
| Fringe Benefits:                          |                 |                          |                           |
| County Contributions-                     |                 |                          |                           |
| Retirement                                | 24,190          | 24,190                   |                           |
| Social Security                           | 20,979          | 20,979                   |                           |
| Total Jail Fund                           | \$ 532,755      | \$ 532,755               | \$ 0                      |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|--|-----------------|--------------------------|---------------------------|
| <u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u> |                 |                          |                           |
| <u>General Government</u>                        |                 |                          |                           |
| Economic Development:                            |                 |                          |                           |
| Contracted Service                               | \$ 7,094        | \$                       | \$ 7,094                  |
| Contribution                                     | 3,911           | 3,911                    |                           |
| <u>Protection to Persons and Property</u>        |                 |                          |                           |
| County Fire Department:                          |                 |                          |                           |
| Contributions                                    | 12,405          | 12,406                   | (1)                       |
| Insurance  | 38,168          | 38,168                   |                           |
| Utilities  | 3,651           | 3,651                    |                           |
| Communication Equipment                          | 1,400           | 1,400                    |                           |
| Disaster and Emergency Services:                 |                 |                          |                           |
| Coordinator Salary                               | 28,173          | 28,172                   | 1                         |
| Supplies and Materials                           | 1,262           | 1,262                    |                           |
| Travel   | 500             |                          | 500                       |
| Miscellaneous                                    | 1,000           | 348                      | 652                       |
| Ambulance Service:                               |                 |                          |                           |
| Paraprofessionals                                | 5,316           | 2,374                    | 2,942                     |
| Commonwealth Attorney:                           |                 |                          |                           |
| Matching Share                                   | 7,200           | 7,200                    |                           |
| Office of Public Defender:                       |                 |                          |                           |
| Public Advocacy Program                          | 3,785           | 3,785                    |                           |
| <u>General Health and Sanitation</u>             |                 |                          |                           |
| Dog Control:                                     |                 |                          |                           |
| Dog Warden                                       | 6,608           | 6,608                    |                           |
| Supplies and Maintenance                         | 1,296           | 1,296                    |                           |



PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| LOCAL GOVERNMENT ECONOMIC<br><u>ASSISTANCE FUND</u> (Continued) |                 |                          |                           |
| <u>General Health and Sanitation</u><br>(Continued)             |                 |                          |                           |
| Animal Shelter:   |                 |                          |                           |
| Worker's Compensation   | \$ 526          | \$ 526                   | \$                        |
| Food and Supplies   | 10,000          | 5,000                    | 5,000                     |
| Liability Insurance   | 3,291           | 3,291                    |                           |
| Miscellaneous   | 40              | 40                       |                           |
| Landfill:   |                 |                          |                           |
| Contracts With Engineers  | 5,000           |                          | 5,000                     |
| Engineering Services  | 14,533          | 14,532                   | 1                         |
| Solid Waste Pick-Up   | 5,000           | 5,000                    |                           |
| Director  | 23,000          | 22,680                   | 320                       |
| Materials and Supplies  | 104             | 104                      |                           |
| Miscellaneous   | 1,000           | 1,000                    |                           |
| Other Health Programs:  |                 |                          |                           |
| Speech Clinic   | 1,000           |                          | 1,000                     |
| Soil and Water Conservation:                                    |                 |                          |                           |
| Program Support   | 10,000          | 10,000                   |                           |
| <u>Social Services</u>  |                 |                          |                           |
| Services to Indigents:  |                 |                          |                           |
| Burned Homes  | 5,000           | 1,400                    | 3,600                     |
| Senior Citizens Programs:                                       |                 |                          |                           |
| Salaries-   |                 |                          |                           |
| Other Salaries  | 13,000          | 12,792                   | 208                       |
| Contributions   | 16,493          | 16,493                   |                           |
| Miscellaneous   | 172             | 172                      |                           |
| General Charity And Welfare:                                    |                 |                          |                           |
| Community Ministries  | 5,000           | 3,000                    | 2,000                     |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| LOCAL GOVERNMENT ECONOMIC<br><u>ASSISTANCE FUND</u> (Continued) |                 |                          |                           |
| <u>Recreation and Culture</u>                                   |                 |                          |                           |
| Parks:  |                 |                          |                           |
| County Parks Salaries   | \$ 44,125       | \$ 44,125                | \$                        |
| Parks/Rentals   | 631             | 631                      |                           |
| Contract Labor  | 29,951          | 29,951                   |                           |
| Antifreeze  | 37              | 37                       |                           |
| Plumbing Supplies   | 6,442           | 6,442                    |                           |
| Supplies and Equipment  | 49,379          | 49,379                   |                           |
| Materials and Supplies  | 150             | 150                      |                           |
| Licenses  | 125             | 125                      |                           |
| Other Recreations Programs:                                     |                 |                          |                           |
| Little League   | 1,000           |                          | 1,000                     |
| Public Libraries:   |                 |                          |                           |
| Literacy Program  | 2,500           |                          | 2,500                     |
| <u>Roads</u>  |                 |                          |                           |
| Office of Road Supervisor/Engineer:                             |                 |                          |                           |
| Office Materials and Supplies                                   | 859,430         | 859,430                  |                           |
| Other Capital Outlays   | 3,000           | 3,000                    |                           |
| Airports:   |                 |                          |                           |
| Other Debt Service  | 20,000          |                          | 20,000                    |
| Borrowed Money:   |                 |                          |                           |
| Kentucky Association of Counties                                |                 |                          |                           |
| Ambulance Lease Interest Payment                                | 4,462           | 4,462                    |                           |
| Other County Liabilities:                                       |                 |                          |                           |
| Lease Purchase Payments-  |                 |                          |                           |
| 1996 Chevrolet F350   | 5,424           | 5,424                    |                           |
| 1996 Chevrolet Blazer   | 3,327           | 3,327                    |                           |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|   | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|---|-----------------|--------------------------|---------------------------|
| LOCAL GOVERNMENT ECONOMIC<br><u>ASSISTANCE FUND</u> (Continued) |                 |                          |                           |
| <u>Administration</u>   |                 |                          |                           |
| General Services:   |                 |                          |                           |
| Judgements and Levies   | \$ 112          | \$ 112                   | \$                        |
| Miscellaneous   | 106             | 109                      | (3)                       |
| Fringe Benefits:  |                 |                          |                           |
| County Contributions-   |                 |                          |                           |
| Retirement  | 7,403           | 7,403                    |                           |
| Social Security   | 8,285           | 8,285                    |                           |
| Health Insurance  | 131,670         | 131,670                  |                           |
| Total Operating Budget  | \$ 1,412,487    | \$ 1,360,673             | \$ 51,814                 |
| Other Financing Uses:   |                 |                          |                           |
| Kentucky Association of Counties-                               |                 |                          |                           |
| Ambulance - Principal   | 18,000          | 18,000                   |                           |
| Transfers to Public Properties                                  |                 |                          |                           |
| Corporation Fund  | 449,461         | 434,051                  | 15,410                    |
| Total Local Government Economic<br>Assistance Fund              | \$ 1,879,948    | \$ 1,812,724             | \$ 67,224                 |

E-911 FUND

Protection to Persons and Property

|                          |            |            |          |
|--------------------------|------------|------------|----------|
| 911 Service              |            |            |          |
| Radio Dispatchers Salary | \$ 160,000 | \$ 158,796 | \$ 1,204 |
| Telephone                | 16,324     | 16,324     |          |
| Software Development     | 359        | 359        |          |
| Engineering Services     | 1,000      |            | 1,000    |
| Maintenance and Repairs- |            |            |          |
| 911 Equipment            | 5,103      | 5,103      |          |
| Office Equipment         | 2,000      | 1,063      | 937      |
| Office Supplies          | 5,841      | 5,841      |          |
| Mapping Service          | 53,256     | 53,256     |          |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Final<br>Budget | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|--|-----------------|--------------------------|---------------------------|
| <u>E-911 FUND (Continued)</u>                            |                 |                          |                           |
| <u>Protection to Persons and Property</u><br>(Continued) |                 |                          |                           |
| Internet Membership                                      | \$ 600          | \$ 415                   | \$ 185                    |
| Conferences  | 537             | 537                      |                           |
| Renewals and Repairs                                     | 216             | 216                      |                           |
| Water  | 169             | 169                      |                           |
| Miscellaneous  | 1,000           | 208                      | 792                       |
| <u>Capital Projects</u>                                  |                 |                          |                           |
| Equipment:   |                 |                          |                           |
| Communication Equipment                                  | 150,559         | 150,559                  |                           |
| <u>Administration</u>                                    |                 |                          |                           |
| Fringe Benefits  |                 |                          |                           |
| County Contributions                                     |                 |                          |                           |
| Social Security  | 12,500          | 11,683                   | 817                       |
| Retirement   | 13,000          | 10,518                   | 2,482                     |
| Contingent Appropriations:                               |                 |                          |                           |
| Reserve For Budget Transfer                              | 1,372           |                          | 1,372                     |
| Total E-911 Fund   | \$ 423,836      | \$ 415,047               | \$ 8,789                  |
| <u>TRANSIENT TAX FUND</u>                                |                 |                          |                           |
| <u>Recreation and Culture</u>                            |                 |                          |                           |
| Tourist and Convention:                                  |                 |                          |                           |
| Contributions  | \$ 20,000       | \$ 14,662                | \$ 5,338                  |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Final<br>Budget   | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|--|-------------------|--------------------------|---------------------------|
| <u>FORESTRY FUND</u>   |                   |                          |                           |
| <u>Protection to Persons and Property</u>  |                   |                          |                           |
| Forest Fire Protection:  |                   |                          |                           |
| Program Support  | \$ 3,741          | \$ 3,524                 | \$ 217                    |
| Judgements   | <u>2,259</u>      | <u>2,259</u>             |                           |
| Total Forestry Fund  | <u>\$ 6,000</u>   | <u>\$ 5,783</u>          | <u>\$ 217</u>             |
| <br>COMMUNITY DEVELOPMENT BLOCK<br>GRANT - BUCKHORN WATER<br><u>PROJECT FUND</u>         |                   |                          |                           |
| <u>Capital Projects</u>  |                   |                          |                           |
| Other Capital Projects:  |                   |                          |                           |
| Contracted Construction  | <u>\$ 921,527</u> | <u>\$ 828,436</u>        | <u>\$ 93,091</u>          |
| <br>LOCAL GOVERNMENT ECONOMIC<br><u>DEVELOPMENT - MULTI-COUNTY FUND</u>                  |                   |                          |                           |
| Capital Projects:  |                   |                          |                           |
| Capital Outlay:  | <u>\$ 569,679</u> | <u>\$ 14,717</u>         | <u>\$ 554,962</u>         |
| <br>LOCAL GOVERNMENT ECONOMIC<br>DEVELOPMENT - PERRY COUNTY<br><u>MANUFACTURING FUND</u> |                   |                          |                           |
| Other Financing Uses:  |                   |                          |                           |
| Borrowed Money-  |                   |                          |                           |
| Bank Note Principal  | <u>\$ 550,342</u> | <u>\$ 360,000</u>        | <u>\$ 190,342</u>         |

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

|  | Final<br>Budget     | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
|--|---------------------|--------------------------|---------------------------|
| Total Operating Budget - All Funds             | \$ 6,416,938        | \$ 5,681,146             | \$ 735,792                |
| Other Financing Uses:                          |                     |                          |                           |
| Transfers to Public Properties                 |                     |                          |                           |
| Corporation Fund                               | 449,461             | 434,051                  | 15,410                    |
| Kentucky Association of Counties               |                     |                          |                           |
| Voting Machines-Principal                      | 18,000              | 18,000                   |                           |
| Ambulance-Principal                            | 18,000              | 18,000                   |                           |
| Borrowed Money                                 |                     |                          |                           |
| Bank Note Principal                            | 608,138             | 2,217,188                | (1,609,050)               |
| Kentucky Advance Revenue Program-<br>Principal | <u>1,196,595</u>    | <u>1,196,595</u>         |                           |
| TOTAL BUDGET - ALL FUNDS                       | <u>\$ 8,707,132</u> | <u>\$ 9,564,980</u>      | <u>\$ (857,848)</u>       |

SCHEDULE OF UNBUDGETED EXPENDITURES





PERRY COUNTY  
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

| <u>Expenditure Items</u> | <u>Area<br/>Development<br/>Fund</u> | <u>Public<br/>Properties<br/>Corporation<br/>Fund</u> |
|--------------------------|--------------------------------------|---|
| Miscellaneous            | \$ 2,792                             | \$  |
| Interest                 | <u>                    </u>          | <u>150,382</u>  |
| Totals                   | <u>\$ 2,792</u>                      | <u>\$ 150,382</u>                                     |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON WORK PERFORMED





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Sherman Neace, Former Perry County Judge/Executive  
Members of the Perry County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On Work Performed

We were engaged to audit the financial statements of Perry County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated January 31, 2000, wherein we disclaimed an opinion on those financial statements based on our inability to rely on management's representations.

#### Compliance

As part of our work, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not our objective and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are reported in the accompanying comments and recommendations.

- County Funds Should Not Have Deficit Balances
- The Fiscal Court Should Pay Claims And Obligations Within Thirty Working Days
- Expenditures Should Not Exceed The Budgeted Amounts
- The Fiscal Court Should Budget All Funds
- The Quarterly Financial Status Report Should Include All Funds
- The Former County Treasurer's Annual Settlement Should Have Been Properly Prepared And Presented To The Fiscal Court
- The Former County Treasurer Did Not Keep A Separate Set Of Financial Records Or Reports Pursuant To KRS 68.020
- The County's Financial Statements And Records Should More Accurately Reflect The Transactions Of The County
- The Former County Treasurer Should Have Been Covered By Two Sureties On His Official Bond

Honorable Denny Ray Noble, Perry County Judge/Executive  
 Honorable Sherman Neace, Former Perry County Judge/Executive  
 Members of the Perry County Fiscal Court  
 Report On Compliance And On Internal Control  
 Over Financial Reporting Based On Work Performed  
 (Continued)

#### Compliance (Continued)

- County Employees Should Not Be Treated As Independent Contractors
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The Fiscal Court Should Adopt A Written Investment Policy
- Related Party Transactions Should Be Reviewed By County Ethics Commission
- Financial Disclosure Statements Should Be Properly Prepared And Filed By All County Officials As Stipulated By The County Code Of Ethics
- The County Should Maintain A Schedule Of Federal Financial Assistance
- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$428,816 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The Jailer Should Maintain Financial Records And Should Prepare An Annual Report For The Jail Canteen Account

#### Internal Control Over Financial Reporting

In planning and performing our work, we considered Perry County's internal control over financial reporting in order to determine our procedures and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- Internal Controls Procedures Over Purchases Should Be Improved
- Former County Treasurer and Former County Judge/Executive Should Have Cosigned All Checks Written On County Treasury Funds
- The Former County Judge/Executive Should Have Presented All Claims To The Fiscal Court For Review
- Adequate Supporting Documentation Should Be Maintained For All Expenditures
- The Fiscal Court Should Annually Review The Administrative Code
- The County's Payroll Procedures Should Be Improved

Honorable Denny Ray Noble, Perry County Judge/Executive  
 Honorable Sherman Neace, Former Perry County Judge/Executive  
 Members of the Perry County Fiscal Court  
 Report On Compliance And On Internal Control  
 Over Financial Reporting Based On Work Performed  
 (Continued)

Internal Control Over Financial Reporting (Continued)

- The Fiscal Court Should Adequately Segregate Duties Involving Receipts, Disbursements, And Payroll Categories
- Internal Controls Over County Rental Property Should Be Implemented
- Internal Controls Over County Swimming Pool Receipts Should Be Implemented
- Internal Controls Over Vending Machine Receipts Should Be Implemented
- The County Should Have An Inventory Control Ledger

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all the reportable conditions described above to be material weaknesses.

- Internal Control Procedures Over Purchases Should Be Improved
- Former County Treasurer and Former County Judge/Executive Should Have Co-Signed All Checks Written on County Funds
- The Former County Judge/Executive Should Have Presented All Claims To The Fiscal Court For Review
- Adequate Supporting Documentation Should Be Maintained For All Expenditures
- The Fiscal Court Should Annually Review The Administrative Code
- The County's Payroll Procedures Should Be Improved
- The Fiscal Court Should Adequately Segregate Duties Involving Receipts, Disbursements, And Payroll Categories
- Internal Controls Over County Rental Property Should Be Implemented
- Internal Controls Over County Swimming Pool Receipts Should Be Implemented
- Internal Controls Over Vending Machine Receipts Should Be Implemented
- The County Should Have An Inventory Control Ledger

Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Sherman Neace, Former Perry County Judge/Executive  
Members of the Perry County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On Work Performed  
(Continued)

This report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 31, 2000



## COMMENTS AND RECOMMENDATIONS



PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES

1) Internal Controls Procedures Over Purchases Should Be Improved

Internal controls over purchases are significantly deficient and cannot be relied upon. We noted the following deficiencies relating to the county's purchasing procedures:

- There were no written procedures relating to purchases.
- Any county employee could request a purchase order without supervisor approval.
- The purchase orders did not indicate the appropriation account number to which the claim was posted.
- No amounts, such as quantity of product or cost of product, was required before a purchase order was issued.
- A purchase order was not required for all expenditures. Therefore, the county would pay for invoices even if a purchase order was not obtained.
- Purchase orders were issued in duplicate format. However, both copies were attached to the invoice. Since both copies were attached to the invoice, purchase orders could not be adequately accounted for.
- The county did not require employees to sign receiving tickets or invoices as evidence that the county received the goods.
- Management did not monitor purchases.

In an effort to strengthen internal controls over purchases, we recommend that the fiscal court correct the above deficiencies.

2) Former County Treasurer And Former County Judge/Executive Should Have Cosigned All Checks Written On County Funds

The former county treasurer did not cosign all checks drawn on county funds, they were only signed by the former county judge/executive. KRS 68.020 states that all warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and county judge/executive. We recommend that the county treasurer and county judge/executive cosign all checks written on county funds.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

3) The Former County Judge/Executive Should Have Presented All Claims To The Fiscal Court For Review

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We could not find where the former County Judge/Executive presented all claims to the fiscal court for their review. KRS 68.275(2) states the county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. We recommend that the County Judge/Executive comply with KRS 68.275(2) and present all claims to the fiscal court for their review.

4) Adequate Supporting Documentation Should Be Maintained For All Expenditures

We found that adequate supporting documentation was not maintained for numerous county expenditures. We recommend no expenditures be paid until adequate documentation is presented to support the expenditure. We also recommend all supporting documentation be maintained for all checks drawn on county funds.

5) The Fiscal Court Should Annually Review The Administrative Code

The fiscal court adopted an administrative code on December 19, 1978 as required by KRS 68.005. However, we found no indication in the fiscal court order book that the administrative code has been reviewed annually. In addition, the administrative code did not contain the minimum standards as required by KRS 68.005. The county administrative code did not address the following requirements:

- Personnel administration, including description and classification of non-elected positions, selection, assignment, supervision, and discipline of employees, employee complaints and the county affirmative action program;
- County purchasing and award of contracts; or
- Delivery of county services.

KRS 68.005 also states the fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code at that time. We found no evidence that the fiscal court is reviewing the administrative code on an annual basis.

We recommend that the county review the administrative code annually as required by KRS 68.005. Furthermore, we recommend that the review of the administrative code be documented in the fiscal court order book. As evidence of the fiscal court approval, we recommend that a complete copy of the administrative code be recorded in the fiscal court order book.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

6) The County's Payroll Procedures Should Be Improved

We found that the county did not maintain time cards for all employees. Review of the time cards that were maintained, revealed that they were not always signed by employees and/or their supervisor. Changes made to the time cards were not initialed as being an authorized change to the employee's time worked. We also found that the hours reported on two of the time cards examined did not agree with the hours the employee was paid for working. Personnel files did not contain documentation of fiscal court approval of salaries. The personnel files were not updated to reflect pay raises given since January 3, 1994. Therefore, we were unable to determine if the fiscal court approved pay rates at our test date. KRS 337.320 requires every employer to keep record of the hours worked each day and each week by each employee. We recommend that this KRS be complied with in the future by requiring all county employees to maintain time cards for time worked. We further recommend that, in an effort to strengthen internal controls over payroll, all time cards be signed by both the employee and supervisor, all changes made to the time card be initialed by the employee and supervisor, that time reported on the time cards agrees with hours the employees are paid for, and that personnel files be updated for pay raises given to county employees.

7) The Fiscal Court Should Adequately Segregate Duties Involving Receipts, Disbursements, And Payroll Categories

---

The Perry County fiscal court's receipts, disbursements, and payroll activities were not adequately segregated to prevent misstatements from occurring and not being detected. We recognize the extent of segregation of duties is a judgement established by management. We also recognize this judgement is affected by certain circumstances beyond the fiscal court's control, such as functions prescribed by statutes and regulations and by budgetary constraints. However, we recommend more oversight and supervision be established.

8) Internal Controls Over County Rental Property Should Be Implemented

Internal controls over county rental property income reporting and collections are deficient. We found no evidence that the fiscal court is approving rental fees. Also, we found no evidence that the county/judge executive reported delinquencies to the fiscal court. In particular, we were informed that the county treasurer, who is the County Judge/Executive's son, lives in one of the county's rental homes. From records made available to auditors, we could find no documentation that the treasurer paid rent during fiscal year 1998. In addition, prenumbered receipts were not issued for all rental receipts as required by the Uniform System of Accounts. We recommend that internal controls over the county's rental property be strengthened by having all rental fees approved by the fiscal court and by reporting all delinquencies to the fiscal court for appropriate action. In addition, we recommend that prenumbered receipts be issued for all rental receipts as required by the Uniform System of Accounts.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

9) Internal Controls Over County Swimming Pool Receipts Should Be Implemented

The fiscal court has deficiencies in internal controls over receipts. The Uniform System of Accounts in KRS 68.210 and Technical Audit Bulletin #93-002 established under the authority of 45 KAR 1:070 sets out the internal control procedures for all county operations. We found that the fiscal court failed to meet minimum accounting requirements established under these authorities as evidenced by the following deficiencies:

- Daily deposits were not made;
- Daily check-out sheets were not maintained and reconciled with accounting records; and
- Prenumbered receipts were not utilized.

In addition, we noted the following:

- County employees responsible for collecting and/or handling pool receipts were not bonded; and
- Deposits were not adequately safeguarded.

We recommend that KRS 68.210 and Technical Audit Bulletin #93-002 be complied with in the future by implementing the internal controls over county pool receipts.

10) Internal Controls Over Vending Machine Receipts Should Be Implemented

The fiscal court has deficiencies in internal controls over receipts. The Uniform System of Accounts in KRS 68.210 and Technical Audit Bulletin #93-002 established under the authority of 45 KAR 1:070 sets out the internal control procedures for all county operations. We found that the fiscal court failed to meet minimum accounting requirements established under these authorities as evidenced by the following deficiencies:

- Daily check-out sheets were not maintained and reconciled with accounting records;

In addition, we noted the following:

- County employees responsible for collecting and/or handling vending machine receipts were not bonded;
- Deposits were not adequately safeguarded;
- There were no receipts in place to reconcile vending machine inventory purchases and sales with accounting records.

We recommend that KRS 68.210 and Technical Audit Bulletin #93-002 be complied with in the future by implementing the internal controls over county vending machine receipts.

PERRY COUNTY  
 COMMENTS AND RECOMMENDATIONS  
 Fiscal Year Ended June 30, 1998  
 (Continued)

11) The County Should Have An Inventory Control Ledger

The county has failed to maintain an inventory control ledger of fixed assets. As a result, there is no record of current fixed assets owned by the county. The absence of an accurate inventory control system could also result in financial loss and potential liability to the county. We recommend an adequate inventory system be initiated and maintained by the county.

NONCOMPLIANCES

12) County Funds Should Not Have Deficit Balances

At June 30, 1998, county funds had the following deficit balances:

|              |              |
|--------------|--------------|
| General Fund | \$ (742,272) |
| Jail Fund    | \$ (13,951)  |

These deficits were caused by Perry County fiscal court obligating more money than was collected during fiscal year ended June 30, 1998. KRS 68.110 states the fiscal court shall not in any year expend money in excess of the amount annually levied and collected for that year. We recommend the Perry County fiscal court monitor their budget and cash flow to prevent future overspending.

13) The Fiscal Court Should Pay Claims And Obligations Within Thirty Working Days

We found that numerous invoices were not paid in a timely manner. KRS 65.140 states that all bills for goods or services shall be paid within thirty working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. We have adjusted the treasurer's financial statement to reflect the unpaid obligations at year-end as follows:

|   | General<br>Fund     | Road<br>Fund     | Jail<br>Fund       | LGEA<br>Fund     |
|---|---------------------|------------------|--------------------|------------------|
| Cash in Bank-June 30, 1998              | \$ 49,243           | \$ 90,234        | \$ 2,451           | \$ 93,454        |
| Unpaid Obligations-June 30, 1998        | (706,855)           | (10,794)         | (16,402)           | (3,235)          |
| Note Payable-June 30, 1998              | (57,000)            |                  |                    |                  |
| Due to Public Properties<br>Corporation | (27,660)            |                  |                    |                  |
| June 30, 1998-Ending Balance            | <u>\$ (742,272)</u> | <u>\$ 79,440</u> | <u>\$ (13,951)</u> | <u>\$ 90,219</u> |

We recommend that the practice of obligating county funds when adequate cash is not available to cover the expenditure be stopped. We further recommend that the county comply with KRS 65.140, which requires invoices to be paid within thirty working days.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

14) Expenditures Should Not Exceed The Budgeted Amounts

Perry County exceeded total budgeted appropriated expenditures by \$857,848. KRS 68.300 states that any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. KRS 68.280 states that the fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget. We recommend the fiscal court comply with these statutes in the future by making the appropriate budget amendments.

15) The Fiscal Court Should Budget All Funds

We found that the Area Development Fund was not included in the fiscal year ending June 30, 1998 budget. KRS 68.240 requires the county judge/executive to annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year. We recommend that all funds be budgeted in the future.

16) The Quarterly Financial Status Report Should Include All Funds

The county judge/executive's quarterly financial report did not include information in regards to the Area Development Fund and the Perry County Public Properties Fund. This resulted in an incomplete reflection of the fiscal court's financial condition as of June 30, 1998. We recommend all county funds be included in the quarterly financial statements in the future.

17) The Former County Treasurer's Annual Settlement Should Have Been Properly Prepared And Presented To The Fiscal Court

---

The former county treasurer's annual settlement did not reflect the total amount of funds collected and received during the fiscal year from each individual source. Additionally, the former county treasurer did not present the county's annual settlement to the fiscal court for approval. KRS 68.020 requires the county treasurer to make a full and complete settlement within thirty days after the close of each fiscal year. We recommend the above KRS be complied with in the future by the county treasurer presenting a complete settlement to the fiscal court within 30 days after the close of each fiscal year.



PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

18) The Former County Treasurer Did Not Keep A Separate Set Of Financial Records Or Reports Pursuant To KRS 68.020

---

The former county treasurer did not keep a record of receipts, disbursements, budget appropriations, and budget balances, as well as the cash balance of each fund as required by KRS 68.020. The county judge/executive's two finance officers, who are designees of the county judge/executive, performed all of these duties. The uniform system of accounts mandates that the function of the county treasurer be independent from the function of the finance officers. Internal controls over the treasury function are deficient since there is no separation of duties between the county treasurer and the finance officers. We recommend that the county treasurer keep financial records and make reports pursuant to KRS 68.020.

19) The County's Financial Statements And Records Should More Accurately Reflect The Transactions Of The County

---

During our test procedures, we noted the following deficiencies relating to the county's financial records:

- The county budget and financial statements were not detailed enough to be used as an effective monitoring tool;
- Several receipts were not classified correctly;
- A significant amount of receipts were posted to miscellaneous;
- Disbursements were not posted to the appropriate account; and
- Cash transfers between funds were sometimes posted as expenditures on the appropriations ledger;

According to the budget requirements established by the State Local Finance Officer, receipts and disbursements should be properly posted to their appropriate accounts in order to fairly indicate actual operating condition of the county. We recommend that the county comply with KRS 67.080 and with budget requirements established by the State Local Finance Officer by properly classifying receipts and disbursements.

20) The Former County Treasurer Should Have Been Covered By Two Sureties On His Official Bond

---

The former county treasurer was only covered by one surety on his official bond. KRS 68.010 requires the county treasurer to execute bond with at least two good sureties, to be approved by the fiscal court. We recommend the fiscal court promptly correct this violation.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

21) County Employees Should Not Be Treated As Independent Contractors

We found that a significant number of individuals received payment for services provided to the county as contract labor. Therefore, no payroll taxes were withheld from payments made to these individuals. Many of these “independent contractors” performed the same duties as other county employees. In addition, we noted instances where time cards were maintained for some of these individuals even though they were paid as an independent contractor. Payments were made to the same individuals throughout the fiscal year. Pursuant to state law and federal law, payroll taxes must be withheld from salaries when an employee/employer relationship exists. Failure to do so can result in interest and penalties imposed by regulatory agencies. We recommend that the practice of accounting for employees as contract labor be stopped. Furthermore, we recommend that the county contact state and federal regulatory agencies for additional guidance on this issue.

22) The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts

Perry County does not utilize interest-bearing bank accounts appropriately. The Jail Fund, E-911 Fund, Forestry Fund, Tourism Fund, LGED-Perry County Multi-County Fund, and the CDBG-Buckhorn Water Project Fund were not maintained in interest-bearing checking accounts. The use of interest-bearing accounts is a cash management practice that enables the county to obtain a greater benefit for its money. We recommend the county utilize interest-bearing accounts at all times.

23) The Fiscal Court Should Adopt A Written Investment Policy

The Perry County fiscal court has not adopted a written investment policy. The governing body of every local government or political subdivision that invests or reinvests money subject to its control or jurisdiction shall, by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government per KRS 66.480. We recommend that the Perry County fiscal court adopt an investment policy in order to comply with KRS 66.480.

24) Related Party Transactions Should Be Reviewed By County Ethics Commission

According to the county treasurer’s settlement, the Perry County fiscal court paid \$10,343 to the Perry County News for newspaper notices and advertisements. Perry County News is partly owned by former Perry County Deputy Judge/Executive Clifford R. Walters. We recommend that the county ethics commission review the related party transaction for possible violation of the county ethics code.

PERRY COUNTY  
 COMMENTS AND RECOMMENDATIONS  
 Fiscal Year Ended June 30, 1998  
 (Continued)

25) Financial Disclosure Statements Should Be Properly Prepared And Filed By All County Officials As Stipulated By The County Code Of Ethics

---

The financial disclosure statements were not properly prepared and filed as required by the local county code of ethics. We reviewed financial disclosure statements on file in the county judge/executive's office. We noted the following deficiencies:

- We could not locate financial disclosure statements for all county officials;
- The financial disclosure statements that were on file were not dated;
- We were unable to determine if the financial disclosure statements were filed by the February 1 deadline stipulated in the county's code of ethics;
- The financial statements on file were not signed by the filer; and
- Financial disclosure statements were not on file with the local ethics commission.

We recommend that the Perry County Ethics Commission take action to correct the above deficiencies to be in compliance with the county's code of ethics.

26) The County Should Maintain A Schedule Of Federal Financial Assistance

The county did not maintain a schedule of federal financial assistance received and expended during fiscal year 1998. As a result, we spent a considerable amount of time determining whether or not a single audit would be conducted. A single audit is required if the county expends over \$300,000 in federal funds during a fiscal year. We recommend that the county maintain a schedule of all federal funds received and expended during the fiscal year. The schedule should show federal financial assistance by federal agency and department, as well as a total of all federal assistance received and expended for the fiscal year.

27) The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$428,816 As Collateral And Entered Into A Written Agreement To Protect Deposits

---

The county's deposits were not adequately secured by \$428,816 as of August 13, 1997. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

28) The Jailer Should Maintain Financial Records And Should Prepare An Annual Report For The Jail Canteen Account

---

We found that the jailer does not prepare an annual jail canteen report for the county treasurer. Additionally, we found that the jailer does not maintain a receipts and disbursements ledger, daily checkout sheets, or bank reconciliations for the jail canteen account. KRS 441.135 states that the jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account. KRS 68.210 states the minimum accounting and reporting standards as prescribed by the state local finance officer. We recommend the jailer comply with KRS 441.135 by preparing an annual report on the canteen account and submitting the report to the county treasurer. We also recommend that the jailer comply with KRS 68.210 by maintaining a receipts and disbursements ledger, daily checkout sheets, and bank reconciliations for the jail canteen account.

PRIOR YEAR FINDINGS

- The County Should Have Required Depository Institutions To Pledge Additional Securities As Collateral And Entered Into A Written Agreement To Protect Deposits
- The Fiscal Court Should Pay Claims And Obligations Within Thirty Working Days
- Fiscal Court Should Adopt A Written Investment Policy
- County Treasurer And County Judge/Executive Should Co-Sign All Checks Written On County Funds
- The Former County Treasurer Should Have Been Covered By Two Sureties On His Official Bond
- The Fiscal Court Should Adequately Segregate Duties Involving Receipts, Disbursements, And Payroll Categories
- County Funds Should Not Have Deficit Balances
- Related Party Transactions Should Be Reviewed By County Ethics Commission

